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July 1, 2002

Luly Massaro, Commission Clerk  
Rhode Island Public Utilities Commission  
89 Jefferson Boulevard  
Warwick, RI 02888

**Re: Docket 3179**

Dear Ms. Massaro:

Enclosed for filing in the above-referenced matter please find an original and nine (9) copies of the following:

- (1) Alternative Regulation Plan Applicable to Verizon Rhode Island Intrastate Operations;
- (2) Testimony of Theresa L. O'Brien;
- (3) Testimony of Arthur D. Silvia (Public and Proprietary Versions); and
- (4) Testimony of William E. Taylor.

Please be advised that portions of Arthur D. Silvia's Testimony and the accompanying Attachment 1 are proprietary and confidential, and those proprietary portions are being provided to the Commission only. Accordingly, Verizon RI respectfully requests that this information not be placed in the public record of this proceeding. Verizon RI will provide copies of the referenced proprietary documents to the Rhode Island Division of Public Utilities and Carriers following the execution of a protective agreement. Verizon Rhode Island is making this filing in compliance with Commission Order No. 16943 dated March 12, 2002.

If you have any questions regarding this filing, please do not hesitate to call me.

Sincerely,

Keefe B. Clemons

Enclosures

cc: Service List-Docket No. 3179

# STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

## PUBLIC UTILITIES COMMISSION

### ALTERNATIVE REGULATION PLAN

#### APPLICABLE TO

#### VERIZON RHODE ISLAND INTRASTATE OPERATIONS

The Alternative Regulation Plan (the "Plan") establishes the method by which the Rhode Island Public Utilities Commission ("Commission") will regulate the intrastate services Verizon New England Inc., d/b/a Verizon Rhode Island ("Verizon RI" or the "Company") offers under tariff in the state. The terms of the Plan are as follows:

- A. Except as otherwise provided in Paragraph I, below, Primary Residence Basic Exchange rates (as described in Appendix A, Page 1) shall not be increased by more than \$2.00 per line over the two-year period following the effective date of the Plan. Subsequent to two years after the effective date of the Plan, pricing for these services will be at the discretion of the Company in response to market conditions.
- B. Except as otherwise provided in Paragraph I, below, Residence Local Usage rates (as described in Appendix A, Page 1) shall not be increased for at least two years after the effective date of this Plan. Subsequent to two years after the effective date of the Plan, pricing for this service will be at the discretion of the Company in response to market conditions.
- C. Except as otherwise provided in Paragraph I, below, the aggregate rates associated with all Intrastate Switched Access Services (as described in Appendix A, Page 2) shall not be increased. Rate levels of individual service elements in this category may be increased, provided that the revenue impact of those increases is equal to or less than the revenue impact of rate reductions implemented in this category, prior to or coincident with the proposed increase.
- D. All Other Retail Services - Rates and charges for all other tariffed retail services (see Appendix A, Pages 3 through 6 for a listing of all such services), and all new services introduced by Verizon RI will increase or decrease in response to market conditions. Pricing for these services will be at the discretion of the Company.
- E. Prices for access to Verizon RI's unbundled network elements and interconnection with the Company's facilities and equipment, and the level of the Company's wholesale (resale) discount, will continue to be set in accordance with the Federal Telecommunications Act of 1996, as amended.
- F. Revenue generated from a restructured service may not exceed the amounts applicable to the service under the pricing rules outlined in Paragraphs A, B, and

C preceding. A service restructure is a change in the method by which an existing service is priced or in the terms by which an existing service is offered.

- G. Lifeline Services - The Lifeline Credit will be increased by an amount equal to any increase in the Primary Residence Basic Exchange rate implemented in accordance with Paragraph A preceding.
- H. Tariff Filings and Withdrawals
1. Verizon RI may make filings incorporating tariffs to go into effect not less than thirty (30) days later unless suspended by the Commission.
  2. Verizon RI may modify the application of rate elements during the term of the Plan so long as such modifications comply with all pricing rules.
  3. The Division of Public Utilities and Carriers (the "Division") and the Commission will review these filings for compliance with the Plan and statutory requirements.
  4. Verizon RI will continue to offer all of the intrastate services provided under tariff as of the date of Commission approval of the Plan unless it petitions and receives approval from the Commission to withdraw a service.
- I. Exogenous Events - An exogenous event is one that is beyond the control of Verizon RI and that positively or negatively changes the Company's cost of providing, or its revenues from, its services. An exogenous event includes, but is not limited to:
1. changes in tax laws;
  2. changes in Generally Accepted Accounting Principles (GAAP) that apply specifically to telecommunications or changes in the Federal Communications Commission Uniform Systems of Accounts;
  3. any Federal Communications Commission rules changes pertaining to jurisdictional separations; and
  4. regulatory, judicial, or legislative changes affecting the telecommunications industry, including rules and orders that are necessary to implement such changes.

If the Commission finds that Verizon RI has experienced a positive or negative change in costs or revenues due to an exogenous event, it shall allow the Company to reflect the amount of the change by way of surcharge, credit or rate adjustment as appropriate. If a dispute arises over whether an event is exogenous, the burden of proof lies with the party proposing the recovery or reduction. Rate adjustments resulting from Exogenous Changes will be applied to services on a cost causation basis whenever possible. Verizon RI's recoverable Exogenous Changes, if any, shall in no event exceed \$2.5 million annually. Any Exogenous Changes in excess of \$2.5 million during any one year may be carried forward to the year immediately following and aggregated with that following year's Exogenous Changes, if any, still subject to the \$2.5 million annual cap. Notwithstanding the previous sentence, if Verizon RI claims Exogenous Changes in excess of \$ 2.5 million in any year as a result of an increase in state or local taxes, Verizon RI may apply to the Commission to increase rates to recover those costs.

- J. Appendix B represents the retail Quality of Service Plan. Although Verizon RI believes that the Quality of Service Plan is unnecessary, Verizon RI is willing to abide by the existing Plan. The Annual Service Quality Adjustment Factor will remain at .5%. At the conclusion of each calendar year, the Company will incur a performance payment obligation equal to one twelfth of .5% of total annual retail revenue for each month of the year in which the Plan's requirements were not met. The performance payment obligation will be paid as an annual bill credit to each residence and business line in service at the time of the payment.
- K. Under the Plan, Verizon RI has the discretion to adjust its depreciation rates; however, the composite depreciation rate may not fall below the composite rate in effect as of January 1, 1994. Verizon RI will report to the Commission and the Division any changes it makes in its composite depreciation rates. The report will be accompanied by a schedule detailing changes in depreciation rates, service lives, and net book value for each category of depreciable plant assets.
- L. Verizon RI may petition the Commission to modify any of the terms or conditions of the Plan: (i) to reflect the impact of relevant provisions or decisions, enacted or issued subsequent to the Commission's approval of the Plan, of federal or state legislative, judicial or administrative bodies of competent jurisdiction; or (ii) to seek a less structured form of regulation or deregulation of its operations based upon changes in market conditions. In any proceeding, the burden shall be on the Company to establish the reasonable basis for the modification.
- M. In order to provide the Commission and Division with a sufficient period of time to investigate and determine an equitable mechanism by which to fund internet access for Rhode Island K-12 schools and libraries, Verizon RI agrees to continue its voluntary subsidization of that program for a period commencing with the approval of this agreement and ending June 30, 2003. Verizon RI's commitment to this endeavor shall not exceed \$1.0M for the period from January 1, 2003 to June 30, 2003.
- N. Verizon RI will file annual financial reports with the Commission by April 15th in the same form as it did under the prior Price Regulation Plan. In addition, Verizon RI agrees to provide additional information the Commission or Division may reasonably request, subject to appropriate proprietary arrangements, that would assist the Commission in analyzing and evaluating Verizon RI's financial results under the Plan.

**LIST OF SERVICES**

<b>Residential Basic Exchange Services*</b>	
<b>Subject to Paragraphs A and B of the Alternative Regulation Plan</b>	
	<i>PUC 15 Tariff Reference: Part M, Section 1</i>
Lifeline support	1.1.3
Premises work charges-Residence only	1.3.1
Temporary Suspension of Service	1.3.2
Other Service Charges-Residence (includes restoral & suspension of service as well as jacks, rewire, etc.)	1.3.2
Basic Exchange Services & Local Usage-Msd & Unlimited-Residence	1.5.1
Basic Exchange Services & Local Usage-Msd & Unlimited-Composite Statewide-Residence	1.5.2
Basic Exchange Services-Superceded-Unlimited-Residence	1.5.3
Basic Exchange Services-Other-Trunk lines and S&E-Residence	1.5.4
Basic Exchange Services-Residence Other-S&E Charges	1.5.4
Dormitory Communications Service	1.5.5
Public Emergency Call Receiving Service	1.12.1

\* Applies to residential primary lines only

**LIST OF SERVICES**

<b>Services Subject to Paragraph C of the Alternative Regulation Plan</b>	
Intrastate Switched Access	<i>Tariff Reference:</i> P.U.C. No. 20

## LIST OF SERVICES

<b>Residential Services</b>	
<b>Subject to Paragraph D of the Alternative Regulation Plan</b>	
<i>PUC 15 Tariff Reference: Part M, Sect. 1</i>	
Residential Basic Service – Additional Lines only	1.5.1 – 1.5.4
Directory Listing Service-Nonpub & Nondirectory-Residence only	1.5.6
Directory Listing Service-Additional Listing/Dual Name-Residence only	1.5.6
Directory Listing Service-Change Listing-Residence only	1.5.6
Directory Assistance Service-Residence only	1.5.7
Busy Line Verification and Busy Line Interrupt-Residence only	1.5.9
Custom Calling Services-Residence only	1.7.1
Intellidial-Residence only	1.7.11
Curb-A-Charge-Residence only	1.7.11
Distinctive Ringing-Residence only	1.7.14
Phonesmart Features-Residence only	1.7.15
Voice Dialing Service-Residence only	1.7.16
MTS-Residence only	1.9.1
Incremental Charges-Residence only	1.9.1
Call Completion Platform Service-Residence only	1.9.3
Selective Calling Service-Residence only	1.10.1
Rhode Island Statewide Calling Service	1.10.2
Sensible Minute Plan	1.10.3
Enhanced Universal Emergency Number Service (E911, PSAP, data lns, common equip, etc.).	1.12.2
Value Pack	1.15.1
Local Package	1.15.2
Multiline Package Discount (ValuePack &	1.15.3

Local Pkg.)

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## LIST OF SERVICES

<b>Other Services</b>	
<b>Subject to Paragraph D of the Alternative Regulation Plan</b>	
<i><u>PUC 15 Tariff Reference: Part M, Sect. 1</u></i>	
Payment Plans	1.1.2
Construction	1.2.1
Premises Work Charges-Business only	1.3.1
Other Service Charges-Business (includes restoral & suspension of service as well as jacks, rewire, etc.)	1.3.2
Protection Equipment for Services to Power Stations	1.4.1
Connecting Arrangements	1.4.2
Basic Exchange Services & Local Usage-Msd & Unlimited-Business	1.5.1
Basic Exchange Services & Local Usage-Msd & Unlimited-Composite Statewide-Business	1.5.2
Basic Exchange Services-Superceded-Unlimited-Business	1.5.3
Basic Exchange Services-Other-Trunk lines and S&E charges-Business	1.5.4
Joint User Service-PASL & Measured/Unlimited	1.5.5
Directory Listing Service-Nonpub & nondirectory-Business only	1.5.6
Directory Listing Service-Additional Listing-Business only	1.5.6
Directory Listing Service-Change Listing-Business only	1.5.6
Directory Assistance Service-Business & PASL only	1.5.7
Verizon RI Call Connect Service	1.5.8
Busy Line Verification and Busy Line Interrupt-Business only	1.5.9
Business Link	1.5.10
N-411	1.5.11



## LIST OF SERVICES

## Other Services, continued

## Subject to Paragraph D of the Alternative Regulation Plan

PUC 15 Tariff Reference: Part M, Sect. 1

Custom Calling Services-Business only	1.7.1
Remote Call Forwarding	1.7.2
Special Reverse Charge Toll Service	1.7.3
Line Hunting Service	1.7.4
Reference of Calls	1.7.5
Stop Hunt Arrangement	1.7.6
Make Busy Arrangement	1.7.7
Toll Restriction	1.7.8
Signal Line Filter	1.7.9
Curb-A-Charge Service	1.7.10
Intellidial-Business only	1.7.11
Pulsenet Alert Transport	1.7.12
SMDI	1.7.13
Distinctive Ringing	1.7.14
Phonesmart Features-Business only	1.7.15
Voice Dialing Service-Business only	1.7.16
Custom Redirect Service	1.7.17
PASL	1.8.1
PAL	1.8.2
PAL Curb-A-Charge	1.8.3
MTS-Business & Coin	1.9.1
Incremental Charges-Business only	1.9.1
Information Delivery Service	1.9.2
Call Completion Platform Service-Business only	1.9.3
Selective Calling Service-Business only	1.10.1
Dedicated Toll Free Service	1.11.1
Toll-free Service	1.11.2

## LIST OF SERVICES

## Other Services, continued

## Subject to Paragraph D of the Alternative Regulation Plan

*PUC 15 Tariff Reference: Part M, Sect. 1*

Direct Inward Dialing (DID)	1.12.3
Automatic Identification of Outward Dialing (AIOD)	1.12.4
Toll Access Trunks	1.12.5
Toll Diversion	1.12.6
Trunk Multipling Arrangement	1.12.7
Toll Billing Info	1.12.8
Special CO Term Equipment for PBX	1.12.9
Secretarial Concentrator	1.12.10-11
Service through miscellaneous Common Carriers	1.12.12
Group Alerting Service	1.12.13
CO-LAN	1.12.14
PS/ALI Trunks	1.12.15
Corporate Rewards	1.15.4
Worksmart Packages (CCS / Phonesmart)	1.15.5
<b>a) <u>Private Line Services</u> are all business services, which are subject to Paragraph D</b>	PUC 15, Part M, Section 2
<u>Digital Communications Services</u> are all business services, which are subject to Paragraph D	PUC 15, Part M, Section 3
<u>Advanced Data Services</u> are all business services, which are subject to Paragraph D	PUC 15, Part M, Section 4
<u>Centrex Services</u> are business services, which are subject to Paragraph D	PUC 15, Part M, Section 8



## **VERIZON RHODE ISLAND QUALITY OF SERVICE PLAN**

The Verizon RI Quality of Service Plan consists of two major components: a report of the Quality Service Standards of major service indicators and a Service Quality Index (“SQI”).

Each month, Verizon RI will provide reports that reflect service performance in four major categories: Installation, Maintenance, Operator Services and Customer Surveys. In each of the major categories, there are reports on specific service items. All of the service items except Customer Trouble Reports per 100 lines are reported on a statewide basis. The Customer Trouble Reports per 100 Lines service measurement is reported on an individual exchange basis; that is, for each individual central office in the state. Each item will have two Quality Performance Levels against which they will be measured: Surveillance and Action. The categories, items, and Quality Performance Levels are listed and defined in Parts A and B of this attachment.

The Service Quality Index is a scorecard of the service performance of Verizon RI. It consists of the eight statewide service items and the 10 Customer Trouble Reports per 100 Lines Service items. The SQI is determined monthly. The eight statewide service items are the same every month. In addition, each month a group of ten alternating central offices are measured, and their Customer Trouble Report Rates are included in the SQI. Each of Rhode Island's 30 central offices is measured once per quarter.

The SQI is developed using a point system based on the performance levels shown on Part A. Each month, the 18 service items (the 8 statewide items and the 10 Customer Trouble Report Rates) are compared to the Surveillance and Action Levels for each item. If the performance level is better than the Surveillance Level, that item is assigned full credit, which is either 2 or 4 points depending on the item. If the performance level is at the Surveillance level, or falls between the Surveillance and Action Levels, that item is assigned partial credit of 1 or 2 points, depending on the item. If the performance level is at or worse than the Action Level, the item is assigned no points. This scoring is detailed in Part A.

Each month, the maximum value of the SQI is 42 [(15 items x 2 points) + (3 items x 4 points)]. A passing monthly score is 28. At the conclusion of each calendar year the Company will be required to issue a bill credit (“performance payment obligation”) if it did not meet the plan’s requirements in any of the preceding 12 months. The performance payment obligation will be one-twelfth of .5 percent of total annual retail revenue for each month of the year in which the plan’s requirements were not met. The performance payment obligation will be paid as an annual bill credit on each residence and business line in service at the time of the payment. In addition, there will be further monitoring of Verizon RI's performance in three repair/maintenance areas: Out of Service for 24 Hours, Missed Repair Appointments, and Repair Service Answer Time. If the Company receives 0 points in at least 2 of these three service categories for consecutive months, the Company will incur a performance payment obligation of one-twelfth of .5% of total annual retail revenue. This performance payment obligation is assessed in addition to any incurred based on the Company's performance in the SQI. However, the total annual service quality performance payment obligation incurred by Verizon RI cannot under any circumstances exceed .5% of total annual retail revenue.

Months in which the SQI falls below 28 or Verizon RI receives 0 points in two of the three maintenance/repair areas because of events beyond the control of the Company, such as natural disasters, labor disputes, embargoes, requirements imposed by regulation or decree of any governmental entity, or acts of public enemy, will be excluded from the evaluation period.

## VERIZON RHODE ISLAND QUALITY OF SERVICE PLAN

### Scoring of Service Quality Indices

New Installations Orders not Completed within 5 working days (%)	Under 12	2 Points
	12.0-13.49	1 Point
Surveillance 12; Action 13.5	13.5 or over	0 Points
Installation Appointments Missed (%)	Under 2.0	2 Points
	2.0 – 2.49	1 Point
Surveillance 2.0; Action 2.5	2.5 or over	0 Points
Out of Service > 24 hours (%)	Under 35	4 Points
	35 – 37.9	2 Points
Surveillance 35; Action 38	38 or over	0 Points
Repeat Repair Reports (%)	Under 11	2 Points
	11.0 – 13.9	1 Point
Surveillance 11; Action 14	14 or over	0 Points
Repair Appointments Missed (%)	Under 13	4 Points
	13.0 – 15.9	2 Points
Surveillance 13; Action 16	16.0 or over	0 Points
Repair Service Answer Time (sec.)	Under 14.0	4 Points
	14.0 – 16.9	2 Points
Surveillance 14; Action 17	17.0 or over	0 Points
Directory Assistance Answer Time (sec.)	Under 4.0	2 Points
	4.0 – 4.9	1 Point
Surveillance 4; Action 5	5.0 or over	0 Points
Average Duration Time - Special Access 1.5 Mbps Circuits (hours)	Under 2.5	2 Points
	2.5 - 4.49	1 Point
Surveillance 2.5; Action 4.5	4.5 or over	0 Points
<b>TOTAL POINTS AVAILABLE FOR SQIs/Month</b>		<b>22 Points</b>
Customer Trouble Reports per 100 lines on an individual wire center basis	Under 3.5	2 Points
	3.5 - 4.49	1 Point
Surveillance 3.5; Action 4.5	4.5 or over	0 Points
<b>TOTAL CENTRAL OFFICE POINTS AVAILABLE</b> (Assumes 10 Cos per month are reviewed)		<b>20 Points</b>
<b>TOTAL POSSIBLE POINTS PER MONTH</b>		<b>42 POINTS</b>

For each month the Company fails to achieve 28 points, the required bill credit will be one-twelfth of .5 percent of total annual retail revenue.

**VERIZON RHODE ISLAND  
QUALITY OF SERVICE PLAN**

**DEFINITIONS**

**INSTALLATION SERVICE ITEMS**

**PERCENT OF NEW INSTALLATION ORDERS NOT COMPLETED WITHIN FIVE WORKING DAYS -**

This standard measures the percent of appointed residence and simple business basic exchange service installation requests for new or transferred service that are not completed within five working days. Requests for telephone exchange service shall be counted when the order is received at the installation center. Orders requiring the customer to meet specific requirements will be counted from the time the requirements have been met.

**PERCENT OF MISSED INSTALLATION APPOINTMENTS -**

This standard measures residence and business customer initiated service orders for installation of local exchange service with a specific commitment date. Results are calculated by dividing the cumulative number of missed appointments for Company reasons in the report month by the total installation orders that month.

**MAINTENANCE SERVICE ITEMS**

**CUSTOMER TROUBLE REPORTS PER 100 LINES ON AN INDIVIDUAL WIRE CENTER BASIS -**

This standard measures customer trouble reports to Verizon RI repair centers. Reports are recorded by exchange for residence, business and public telephone services. Trouble reports for special services and exchange access services are not included. Reports are accumulated by exchange and divided by the number of customer lines (expressed in hundreds of lines) to calculate the Exchange Report Rate.

**PERCENT OUT OF SERVICE 24 HOURS –**

This standard measures the portion of residence, basic business and public telephone service not repaired by the Company within 24 hours (clearance times are measured on a continuous clock basis) of receipt.

**PERCENT REPEAT REPAIR REPORTS -**

This standard measures the percent of residence, business, and public exchange service trouble reports received within 30 days from the dates on which earlier reports had been cleared on the same lines.

**PERCENT REPAIR APPOINTMENTS MISSED (COMPANY REASONS) -**

This standard measures the percent of residence, business, and public exchange service trouble reports which have not been cleared on or before the initial negotiated appointment time, the customer having met any specific requirements.

**VERIZON RHODE ISLAND  
QUALITY OF SERVICE PLAN**

**DEFINITIONS, continued**

**MAINTENANCE SERVICE ITEMS, continued**

**REPAIR SERVICE AVERAGE ANSWER TIME -**

This standard measures the average speed of answer of calls to the Repair Service Center Automatic Call Distribution System.

**AVERAGE DURATION TIME - SPECIAL ACCESS 1.5 MBPS CIRCUITS (HOURS) -**

This standard measures the mean time to isolate and restore a measurable 1.5 special access circuit trouble reported by an interexchange carrier, alternate access provider or wireless carrier. Measuring is done on a "stop clock basis"; that is, any time for which the Company has no access to the customer's premises or is denied permission to test the circuit, is subtracted from the running clock. This category includes circuits provided under interstate exchange access tariffs and encompasses facilities troubles, station troubles, central office troubles and instances where no trouble is found.

**OPERATOR SERVICES SERVICE ITEMS**

**DIRECTORY ASSISTANCE AVERAGE ANSWER TIME -**

This standard measures the average speed of answer of calls to the Directory Assistance Service Automatic Call Distribution System.

**CALL COMPLETION AVERAGE ANSWER TIME -**

This standard measures the average speed of answer by Call Completion Services operators on calls requiring assistance.

**CUSTOMER SURVEY SERVICE ITEMS**

**CCI - RESIDENCE/BUSINESS MAINTENANCE (% SATISFIED) -**

Separate questionnaires are used to measure the percent of residence and small business customers who have indicated that their overall contact with repair service was satisfactory.

**CCI - RESIDENCE SERVICE CENTER (% SATISFIED) AND BUSINESS MARKETING OPERATIONS (% SATISFIED) -**

Separate questionnaires are used to measure the percent of residence and small business customers who have indicated that their overall contact with the Service Center/Business Marketing Operations was satisfactory.

**CCI - RESIDENCE/BUSINESS INSTALLATION (% SATISFIED) -**

Separate questionnaires are used to measure the percent of residence and small business customers who have indicated that their overall contact with installation service was satisfactory.